

## **Business Opportunities - Ideas For New Businesses**

### **Quick Advice On Business Ideas**

#### **Retail**

Don't be tempted to start a retail store just because you find a cute, affordable space. Location means everything in retail and a good location usually costs a lot of money. In fact, a super location, good signage, and an attractive storefront may be all the marketing you need.

- Computers
- Office supplies
- Software
- Luggage
- Maps
- Rare books
- Flowers
- Candles
- Jewelry
- Pets
- Appliances
- Ice cream
- Wine
- Baked goods
- Auto parts
- Coffee and tea
- Children's clothes
- Paper goods
- Sporting goods
- Medical equipment

#### **Secondhand stores**

A secondhand store can provide a reasonable income with minimal investment and minimal risk. Buy used items cheap enough so you can mark them up at least 100 percent. If you are considering selling expensive items like cars, consider selling on consignment—never actually taking ownership of the items, but displaying and selling them for a hefty cut of the sales price.

- Cars
- Furniture
- Office equipment
- Computers

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- Books
- Boats
- Antiques
- Industrial equipment
- Auto parts
- Formal dresses
- Baby clothes
- Medical equipment
- Televisions
- Musical instruments
- Electronic games
- Auto parts
- Phone systems
- Sports equipment
- CDs
- Lawn care equipment

## Services

Service businesses offer a lot of advantages, especially for start-ups. They tend to be local and you usually don't have to compete with as many heavily financed national or international corporations as you might in a retail, wholesale, or manufacturing business. Service businesses also require less capital. You don't need to finance a large inventory or work-in-progress, and customers can usually be asked to pay immediately upon completion of the work.

- Blade sharpening
- Manicuring
- Athletic recruiting
- Funeral home
- Mobile disc jockey
- Hot-air balloon rides
- Tour packaging
- Portrait photography
- Temporary employment
- Resume service
- Telemarketing
- Window washing
- Chimney sweeping
- Carpet cleaning
- Lawn care service
- Bungee jumping instruction
- Wake-up service
- Dance instruction
- Trophy engraving
- Monogramming service

### Restaurants

Restaurants have a high failure rate. Steady, loyal patronage may take years to build up. Owners of successful restaurants usually have extensive restaurant experience, work endless hours, and either rely on their large, close-knit families for assistance or have a knack for attracting, retaining, and motivating good kitchen and service staff.

- Deli
- Food service
- Espresso bar
- Seafood
- Gourmet
- ice cream
- Family style
- Steak house
- Sushi
- Mexican
- Sports bar
- Chinese
- Vegetarian
- Bagel
- Indian
- Thai
- Greek
- Italian
- Catering
- Pizza
- Pushcart

### Consultancies

A consultancy is a great opportunity if you have many years of in-depth and specialized expertise that is in high demand. Those consultants who tend to be more successful are those who are in the later stages of their careers, have developed a rich network of contacts and references in their industry, and don't mind working alone.

- Meteorological
- Engineering
- Customs
- Noise control
- Government controls
- Disability
- Child development
- Wellness
- Gerontology
- Forensics

- Medical management
- Nutrition
- Food manufacturing
- Gardening
- College
- Relocation
- Marketing
- Small business
- Employee benefits
- Database

## Rentals

Rentals are not as easy a way to make money as you might think. On the income side, the typically modest rental fees don't seem to amount to much. On the expense side, you've got marketing costs, repair and maintenance costs, expensive liability insurance, and theft costs. One positive note—periodic sales of rental items might net more than you paid for them new!

- Automobiles
- Televisions
- Furniture
- Office equipment
- Carpeting
- Lock boxes
- Storage facilities
- Party equipment
- Vacation homes
- Bicycles
- Musical instruments
- AV equipment
- Computers
- Videotapes
- Copy machines
- Outdoor furniture
- Tuxedos
- Limousines
- Carpet cleaners
- Arcade games

## Wholesale

If you're thinking about opening a wholesale business, think twice! While it's easy and quick to reach a high level of sales, you'll find it difficult to make money and keep afloat. Most wholesalers operate on very thin profit margins that are possible only because of highly sophisticated computer systems and extremely efficient warehouse and selling systems, tight credit and collections control, and most of all, a large volume of sales over which to spread overhead.

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- Industrial supplies
- Textiles
- Retail equipment
- Food items
- Herbal products
- Restaurant equipment
- Footwear
- Luggage
- Sports equipment
- Vending machines
- Computers
- Appliances
- Educational software
- Coffee
- Carpets
- Clothing
- Office supplies
- Books
- Tapes
- Flowers

## Advertising

Publishing a magazine, newspaper, or other vehicle to sell advertising space is very tempting because the profit margins can be very high. But, no matter how good your product, advertising never sells itself. Save up a lot of energy, and a lot of money for paying good salespeople.

- Classified ads
- Handbills
- Magazines
- Videotext
- Drive - by broadcasting
- Hotel information systems
- Mall kiosks
- Taxis
- Public transportation
- Subway systems
- Radio
- Broadcast television
- Cable television
- Yellow pages
- Card decks
- Giveaways
- Billboards

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- Trade show handouts
- Pens
- Stickers

## **Business Opportunities - Ideas For New Businesses**

### **An Exciting time to Start Your Own Business**

There has never been a more exciting time to start your own business! New businesses are springing up every day all across the country. Whether these new ventures are inspired by women re-entering the job market, young people starting their careers at home-based businesses, previously employed middle managers, or just regular folks looking to earn some extra cash on the side, everyone is finding themselves caught up in the entrepreneurial spirit.

What has led to this entrepreneurial boom? First, there has been a sharp increase in downsizing at both large corporations and medium-sized businesses. As you may be aware, many of the larger corporations in the United States, like IBM and General Motors, have been laying off workers in record numbers, and the end is not yet in sight. Nearly one-third of companies surveyed by major outplacement firms say they are considering cutting their work force in 1996 by as much as 30 percent.

As companies are learning to be leaner and meaner, career-minded professionals cannot expect job security the way they could in the past. In today's economy, chances are good that you will probably not stay at one company throughout your professional career. And a growing number of people feel that the best way to prevent an almost inevitable layoff is to take the skills they have and open up shop for themselves.

Changes in government programs and tax benefits for minority-owned businesses provide still more clues why entrepreneurship is on the rise. And despite affirmative action programs, it is still a statistically proven fact that there is a lack of opportunity for women and minorities within medium- to large-sized companies. Thus, thousands of women and minorities are recognizing that their earning potential is much higher "on their own" than it would be in the corporate world, and that there is no "glass ceiling" to deal with when you are your own boss. In addition, it is now easier for minorities and women to get financing to start new ventures, either through local banks or government programs.

The success rate is good for new minority and women-owned startups. In a report released in December 1995, the U.S. Census Bureau stated that women owned 34.1 percent of all non-farm businesses in 1992, and that woman-owned firms earned an average of \$246,000 annually. More than 50 percent of minority-owned firms hit the million-dollar mark in sales in 1993-and nearly half of these businesses were launched at a cost of \$25,000 or less.

Other population groups are jumping on the entrepreneurial bandwagon as well. Burgeoning technological advances have opened up new opportunities for the physically challenged. In the past, these people were limited in their professional choices by their physical handicaps. Affordable computers, the Internet, and greater public acceptance of home offices have opened up a wide range of opportunities for those with physical limitations, and many have launched successful ventures as a result. An exceptionally high percentage of the businesses profiled in this book are terrific opportunities for the physically or developmentally challenged to earn an income equal to that of any other working professional.

The concept of the home office continues to rise in popularity. Many entrepreneurs have even been able to start new ventures while still employed at another firm, thus increasing their capital and minimizing their day-to-day financial risk. With an answering machine, a second phone line, a computer, some letterhead, and business cards, many home-based businesses can literally run themselves while you keep your day job, leaving you to fill orders or talk to clients on your off time. A few years ago, this type of business practice would not have been considered acceptable. But now, many new businesses are getting off the ground just this way. And if you do choose to quit your day job and work at home full-time, a fax machine, modem, and Internet access can help keep you connected to the outside world during business hours, too.

All of these cultural changes working together have created an atmosphere of opportunity in the entrepreneurial environment. It's now up to you. Making the decision to be an entrepreneur was the hard part. All you have to do is choose the type of business that meets your financial, emotional, and intellectual requirements, and get going!



## **Business Opportunities - Ideas For New Businesses**

### **Businesses You Can Start With Under \$1,000**

Airbrush Artist	Incorporation Service for Businesses
Animal Registration/ID Services	Jewelry Designer
Apartment Preparation Service	Knitting/Crocheting Lessons
Arts Festival Promoter	Lactation Consultant
Athletic Recruiter/Scout	Laundry/Ironing Service
Auction House	Law Library Management
Auto Paint Touch-Up Professional	Lawn Care Service
Automotive Loan Broker	Literary Agent
Band Manager	Magician
Bankruptcy Services	Makeup Artist
Bar tending Services	Mall Promotion
Barter Systems	<a href="#">Merchandise Demonstrator</a>
Blade-Sharpening Service	Mobile Book/Magazine Distributor
Boardinghouse Operator	Mortgage Loan Broker
Book Indexer	Motor Vehicle Transportation
Bounty Hunter	Movie Site Scout
Cake Decorator	Multilevel Marketing
Calligrapher	Mystery Shopper
Candle Maker	Notary Public
Caning Specialist	Nutrition Consultant
Cartoonist	Packing/Unpacking Service
Child Care Referral Service	Parapsychologist
Childbirth Instructor	Party Planner
College Application Consultant	Personal Instructor/Fitness Trainer
Comedy Writer	Personal Menu Service
Commercial Plant Watering Service	Personal Shopper
Coupon Distributor	Pet Psychologist
Doll Repair Service	Private Tutor
Etiquette Adviser	Professional Organizer
First Aid/CPR Instructor	Real Estate Agent/Home Researcher
Garage Sale Coordinator	Reminder Service
Genealogical Service (Family History Writer)	Roommate Referral Service
Gerontology Consultant	Scanning Service
Graphologist	Silk Flower Arranger
Handbill Distribution	Storyteller
Handyman Network	Stress Management Counselor
Home Schooling Consultant	Taste Tester for Food Companies
Horse Trainer	Toy Cleaning Service
Hospitality Service	Vacation Rentals Broker
Ice Sculpting	Wellness Instructor
In-Home Mail Service	

### **Merchandise Demonstrator**

**Start-up Cost:** \$500-\$1,000

**Potential Earnings:** \$20,000-\$35,000

**Typical Fees:**\$150-\$1,000 per event

**Advertising:**Yellow Pages, direct mail to manufacturer's representatives or marketing departments, networking

**Qualifications:**Good people skills and selling ability

**Equipment Needed:**None

**Potential Home Business:**Yes (but you'll be on the road)

**Staff Required:**No

**Handicapped opportunity:**Possibly

**Hidden Costs:**Insurance, slow reimbursement for travel expenses

### **Lowdown:**

This is definitely a "who-you-know" sort of business; if you know a key marketing official at a large automobile manufacturer, you've got it made if you want to be a merchandise demonstrator at a big trade show for automobiles. Many "product specialists" (as some prefer to be called) can travel year-round to trade shows demonstrating products for one specific company, while others circulate their talents to many different types of product manufacturers. For instance, you can start as small as handing out samples at your local grocery store (of course, the pay for that is usually \$25-\$50 per day) or you can work toward establishing relationships with larger corporations in order to represent them at trade shows. The days of the gimmicky product demonstrator are virtually over, however, so keep in mind that today's consumers want intelligence and answers to all of their questions. You'll need to learn everything about the products you demonstrate by talking with everyone from the engineering team to the marketing department.

### **Start-up:**

You can get started in this business for less than \$1,000, because all you really need are some terrific self-promotion pieces (such as business cards and perhaps a postcard for direct mail purposes). Be sure to allow a few extra dollars for advertising, but really limit what you spend since your success will ultimately depend on how well you network. If you're a Les Brown-caliber speaker and promotional genius, you can make a fairly respectable \$20,000-\$30,000 per year and get to travel all over the country on the house.

### **Bottomline:**

Travel gets tedious, even for the adventurous. You'll be expending huge amounts of energy up there on stage, and you'll have to work at sounding extremely knowledgeable about everything you show off. Get some rest, drink plenty of fluids, and be sure to collect an advance when possible.



## Business Opportunities - Ideas For New Businesses

### Businesses You Can Start With \$1,000-\$5,000

Abstracting Service	Interviewer
Accountant	Invention Consultant/Broker
Adoption Search Service	Investment Broker/Club
<a href="#">Advertising Sales Representative</a>	Jewelry/Clock/Watch Repair
Alterations/Seamstress Business	Labor Relations Consultant
Arbitration Service	Licensing Agent
Art Broker/Corporate Art Consultant	Liquidator
Association Management Services	Lobbyist
Audio Recording for Trade Show and Seminars	Manufacturer's Representative
Auto Maintenance	Massage Therapist
Background Music Leasing	Medical Management Consultant
Boat Maintenance/Cleaning Service	Meeting Planner
Book Binder	Meteorological Consultant
Book Packager	Mobile Hair Salon
Bookkeeping Service	Money Broker
Bridal Consultant	Motivational Speaker
Broadcast Sales/Advertising Broker	Mover
Bulletin Board Services	Murder Mystery Producer
Business Broker	Newspaper Delivery Service
Buyer's Information Service	Oil and Gas Field Services
Calendar Service	On-Line Job Search
Carpet/Upholstery Cleaning	On-Line Services Consultant
Chimney Sweep	Paralegal
City Planner	Parenting Specialist
Clip Art Service	Payroll Administrative Services
Clipping Service	Personality Analysis/Testing Service
College Internship Placement	Personalized Check Service
Color Consultant	Personnel Safety Consultant
Commercial Actor	Pharmaceutical Returns Consulting
Commercial Photographer	Political Campaign Management
Conference Call Facilitator	Pollster
Construction Management Services	Printing Broker
Consumer Researcher	Product Developer
Cooking Class Instructor	Profit Sharing Plan Consultant
Counselor/Psychologist	Property Management Service
Credit Cardholders' Service	Recreation Activities Consultant
Credit Card Merchant Broker	Recycling
Credit Consultant	Referral Service
Dance Instructor	Relocation Consultant
Data Retrieval Service	Respiratory Equipment Repair
Day Care Service	Resume Service
Desktop Publisher: Community-Based Coupon Books	Retail Bakery/Specialty Food Store
Direct Marketing/Sales	Retirement Planner
Disability Consultant	Reunion Organizer
Dog Trainer	Sales of Novelty and Promotional Products
Economic Development Consultant	Seamstress/Alterations Business

Emergency Response Service	Secretarial Service
Employee Harmony Consultant	Software Conversion Service
Environmental Consultant/Contractor	Speechwriter
Factory Locating Consultant	Standardized Test Preparatory Services
Fan Club Management	Stenciling
Farm-Sitting	Stenography Service
Farmer of Fruits or Vegetables	Systems Integrator
Feed Consultant/Broker	Taxidermist
Financial Aid Consultant	Time-Management Specialist
Flea Market Organizer	Trademark Agent
Food Delivery Service	Translation Services
Food Item Manufacturer	Travel Agent
Food Manufacturing Consultant	Tree Service
Forensic Consultant	Tropical Fish Servicing
Freelance Writer/Editor/Illustrator	Upholsterer
Fund-Raising Firm	Vending Machine Owner
Government Contract Consulting	Venture Capitalist
Grants/Proposal Writer	Water Pumping Service
Herb/Flowers Farming	Window Treatment Specialist
Image Consultant	Window Washing Service
Interior Designer	Wood Splitter
Internet Marketing Specialist	World Wide Web Home Page Creator

### Advertising Sales Representative

**Start-up Cost:**\$1,000-\$1,500

**Potential Earnings:**\$40,000-\$150,000

**Typical Fees:**Commission-only is standard and ranges from 5 to 25 percent

**Advertising:**Direct mail, trade journals, referrals

**Qualifications:**Experience with an advertising agency or periodical sales rep

**Equipment Needed:**Basic office equipment, business cards, letterhead, envelopes

**Potential Home Business:**Yes

**Staff Required:**No

**Handicapped opportunity:**Yes

**Hidden Costs:**Expect high phone bills and mileage costs

#### Lowdown:

This business must be built on extensive experience in the field. Your expertise lies in matching the need to the availability. If you know how, you can sell advertising space in all magazines to the advertisers who need it. Your job is to find a buyer at a good price that might never have discovered this advertising venue unaided. You'll need contacts and experience to make a success of this enterprise, but room exists for the independent rep and many earn \$100,000 or more. Much depends on the media you're selling ad space for; for instance, if you're selling ads in a trade journal or well-known national publication, your income will be quite high. However, if you're selling ads for a community newspaper, your income may reach its peak at \$35,000.

#### Start-up:

The telephone is your major tool, and you may discover a great need for a car phone (which brings with it monthly charges and high incoming-call fees). You'll need access to reference books listing periodicals, rates, and dates. Expect a \$1,500 initial start-up cost for this business.

#### Bottomline:

If you love selling, this is selling in its purest form. No limitations bind you to one

## Business Opportunities

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focus, one time, or one perspective. Businesses need to advertise, and finding space for their commercial messages can be a real challenge. Your services are the perfect answer to their needs. The same old way of doing things will be your biggest hindrance. Established agencies are your competitors, and you will need to market your services vigorously.

## **Business Opportunities - Ideas For New Businesses**

### **Businesses You Can Start With \$5,000-\$15,000**

Accident Reconstruction Service	Maid Service
Acoustical Services	Mailing List Service
Advertising Agency	Management Consultant
Agricultural Marketing	Manicurist
Ambulatory Services	Market Mapping Service
Animal Broker/Dealer	Marketing Consultant
Archaeological Services	Mediator
Art Restoration Services	Medical Claims Processing
Art/Photo Representative	Medical Products Manufacturer
Auditing Specialist	Medical Transcriptionist
Auto Swap Meet Promotion	Middleman
Automobile Window Stickers	Mini-Blind Cleaning Service
Automotive Detailing	Mobile Disc Jockey Service
Automotive Marketing and Training Services	Modeling School/Agency
Balloon Delivery Service	Money Order Service
<a href="#">Bicycle Rental</a>	Monogramming Service
Boudoir Photography	Motion Picture Research Consultant
Bridal Show Promotions	Networking Services
Business Plan Writer/Packager	New Product Researcher
Career Counselor	Newspaper Features Syndicate
Carpet Installation	Noise Control Consultant
Casting Director	Office Equipment Leasing
Classified Advertising Newspaper	On-Line Internet Researcher
Coffee Bar/Tea Salon	Outdoor Adventures
Collectibles/Memorabilia	Packaging Consultant
Collection Agency	Paging Services
Computer Consultant	Patient Gift Packager
Computer Maintenance Service	Personalized Children's Books
Computer Software Sales	Pet Breeder
Computer Trainer	Pet Grooming/Care
Construction Services	Photocopying Service
Corporate Insurance Broker	Political Marketing Consultant
Corporate Trainer	Portrait Photographer/Artist
Cost Reduction Consultant	Private Detective/Intelligence Specialist
Database Consultant	Public Pay Phone Services
Dating Service	Public Relations
Decks/Outdoor Furniture	Public Speaking Consultant
Designer/Retail Items	Rare Book Dealer/Search Service
Doula/Midwife	Real Estate Appraiser
Draftsman/Blueprinting Service	Recreational Coupon Distributor
Drive-by Broadcasting	Remanufacturing:Laser Printer Cartridges
Efficiency Expert	Rental Business
Electrical Contractor/Electrician	Residence for the Elderly
Employee Benefits Consultant	Restoration Services
Executive Search Firm	Rubber Stamp Business
Expert Witness	Sales Trainer
Fabric Coverings	Security Systems Consultant
	Seminar (Speakers) Service

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Fax-on-Demand Service	Shipping/Customs Consultant
Financial Planner	Short-Term Auto Rental Service
Firewood Service	Sightseeing Excursions
Fisherman	Small Business Consultant
Franchise Idea Center	Snow Plow Service
Furniture Refinisher	Software Development/CD-ROM Packaging
Gardening Consultant	Software Engineer/Programmer
Gift Basket Business	Surveyor
Graffiti Removal	Talent Agency
Graphic Designer	Tax Preparation Service
Greeting Card Sender	Technical Writer (Documentation and On-Screen Text)
Hauling Service	Telecommunications Consultant
Herbal Products Distributor	Telemarketing Service
Home Entertainment System Service	Television Program Distributor
Home Office Consultant	Textile Broker
Human Resource Services	Theatrical Lighting Service
Incentive Programs/Promotional Material	Traffic Control Consultant
Information Consultant	Used Boat Sales
Insurance Agent	Used Computer Sales
Inventory Control	Used Industrial Equipment Sales
Invisible Fencing Sales/Installation	Vacuum Cleaner Repair
Irrigation Services	Video Transfer Service
Job Hot Line	Water Quality Services
Lead Exchange/Business Networking Service	Wilderness-Based Therapeutic Programs
Legal Cost Control/Litigation	Word-Processing Service
Management Services	Workers' Compensation Consultant
Lie Detection Service	
Lock Box Service	
Locksmith	

## Bicycle Rental

**Start-up Cost:**\$7,500-\$12,000

**Potential Earnings:**\$50,000-\$80,000

**Typical Fees:**\$12-\$15 per half-hour rental

**Advertising:**Flyers/brochures (give some to the Chamber of Commerce or travel agencies), Yellow Pages

**Qualifications:**None

**Equipment Needed:**Fleet of bicycles and repair kits

**Potential Home Business:**Yes

**Staff Required:**No

**Handicapped opportunity:**Possibly

**Hidden Costs:**Liability/theft insurance

### Lowdown:

Remember the days of the bicycle built for two, when tourists rented bikes to explore island areas where cars either didn't exist or were blessedly limited? Those days are still here-but the majority of bicycle rental businesses are clustered around heavily trafficked tourist spots such as Michigan's Mackinac Island or Florida's sandy beaches. Many bicycle rental shops are now featuring Rollerblade rentals as well, especially in places like California. Regardless of what you decide to offer, you'll be amazed at how much money can be made in this relatively easy business. Each day, you'll take a fee for short-term rentals, offering the possibility of instant repeat business or a large number of daily rentals. And, since most bicycle rentals are cash transactions, you'll have instant money. What could be easier than that?

**Start-up:**

Your main costs stem from the fact that you must buy a good fleet of bicycles, typically 20-25 of them at a cost of \$300 or so each. If you invest in only used bicycles, your maintenance costs will be high. Considering that you'll be earning \$12-\$15 per half-hour rentals, you could make a sizable amount of money very quickly in this business if you're in a tourist area (especially one that doesn't allow many cars).

**Bottomline:**

Do your homework and choose the right location for this business. Obviously, it will only be seasonal in northern climates-is that all you want? Or would you rather make money from this relatively simple, straightforward business all year long? You decide. Either way, you're bound to make a decent piece of change.



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## **Business Opportunities - Ideas For New Businesses**

### **Businesses You Can Start With \$15,000-\$40,000**

Aerial Applicator	Horse/Cargo Trailer Service
Antiques Dealer	Hot Air Balloon Rides
Architect	Importing/Exporting
Art Gallery	International Business Consultant
Automotive Parts Rebuilder	Landscape Designer
Banquet Facility	Lawyer
Biofeedback Therapist	Mail-Order Computer and Component Sales
Boat Operation Instructor	Message Retrieval Service (Answering Service)
Building Maintenance Service	Mobile Car Inspection/Repair
Bungee Jumping Instructor	Mobile Paper-Shredding Service
Business Form Sales and Service	Motor Vehicle License Bureau
Catalog Retailer	Multimedia Service
Caterer	Nanny Service
Child ID Products	Occupational Health Care Services
Computer-Aided Design (CAD) Service	Outplacement Services
Computer Composer	Overnight Delivery Service
Computerized Special Effects Designer	Paramedical Services
Concert Promoter	Pest Control Service
Consulting Engineer	Pet Taxi Service
Damage Restoration Service	Pool Maintenance
Desktop Publisher	Power Wash Service
Digital Imaging Service	Recording Studio Rental
Educational Product Development	Television Repair
<a href="#">Employee Leasing</a>	Ticket Broker
Entertainment Directory Publisher	Transportation Provider (Limousine/Van)
Fish Restocking	Videotext Service
Floral Shop	Voice Messages Service Center
Health Centers for Corporations	Voice-Activated Home Automation
Home Inspector	Winery

### **Employee Leasing**

**Start-up Cost:**\$15,000-\$35,000

**Potential Earnings:**\$60,000-\$80,000

**Typical Fees:**Mark up the going rates by 40 to 50 percent

**Advertising:**Direct mail, networking in business and trade associations, publishing a newsletter

**Qualifications:**Knowledge of and contacts in a specific field, excellent organizational skills

**Equipment Needed:**Office furniture, computer, printer, fax, telephone headset, business card, letterhead, envelopes, brochure

**Potential Home Business:**Yes

**Staff Required:**No

**Handicapped opportunity:**Yes

**Hidden Costs:**Liability insurance against employee misconduct

**Lowdown:**

While you may not be able to compete with the big general help agencies, a small employee leasing agency can provide workers with specialized skills who cannot be reached through the traditional temp services. This business produces good earnings relative to time and materials: you're not doing the actual work-just the organization. Build your database of specialists in a field you have experience with, then begin direct mail to your prospective clients.

**Start-up:**

Although the cost of building your initial database and center of operations is not high, you will need a sizable initial investment (\$20,000) to cover the delays in cash flow between your clients and your employees. You could see at least \$60,000 at the end of your first year.

**Bottomline:**

You may need to consult an attorney to stay abreast of the laws regarding taxes, workers' compensation, and employment. Some types of temps will need to be bonded, and you will need to measure the advantages of incorporation over the extra costs and red tape involved.



## Business Opportunities - Ideas For New Businesses

### Businesses You Can Start With \$40,000+

Air Charter Service	Mailbox Rental Service
Arcade/Party Rentals	Manufacturer of Licensed Products
Assembly Work	Manufacturer of Self-Adhesive Printed Labels
Audiobook Producer/Distributor	Manufacturer/Retail Item
Automotive Testing Equipment	Map Publisher/Distributor
Bed & Breakfast	Messenger Service
Beer Brewery	Miniature Golf Course
Boat Tours	Musical Instrument Leasing
Canoe Livery	900-Number Service
Car Wash	Pilot/Flying Lessons
Child Development Center	Pinball/Electronic Game Arcade
Coin-Operated Laundry	Prefab Home Sales/Construction
Color Separation and Film Assembly Services	Professional Diver
Commodities Broker	Real Estate Investor
Creative Arts Day Camp	Repair Service
Custom Embroidery	Resale Shop
Day Spa	Restaurant
Demolition/Wrecking Contractor	Restaurant Equipment and Supplies
Diaper Service	Retailer
Distributor	Satellite Equipment/Systems (Wholesale)
Drug Testing Service	Shipping/Freight Forwarding Service
Dry Cleaning Service	Specialty Paper Producer/Distributor
Earthquake Products/Services	Sports Equipment Sales/Service
Fiber Optic Transmission Systems	Stock Photo Service
Fitness Rental Equipment.	Storage Service
Framing Service	<a href="#">Tanning Booth Operation</a>
Franchisee	Taxi Service
Freelance TV Producer	Temporary Employment Agency
Funeral Home	Tow Boat Operator
Geologic Drilling Service	Trophy/Engraving service
Ground Water Assessing	Trucking Broker
Health Club	Uniform Service
Home Health Care Service	Used Car Leasing
Indoor Playspace	Video Production Company
Instant Signs	Video-on-Demand
Key Control Systems Manufacturer/Distributor	Weight Loss Center
Leak Detection Service	Wholesaler
Long-Distance Phone Services	X-Ray Inspection Service
Machinery Rebuilding/Repair	

### Tanning Booth Operation

**Start-up Cost:** \$50,000-\$75,000

**Potential Earnings:** \$45,000-\$65,000

**Typical Fees:** Varied (\$25 per half hour is common)

**Advertising:** Yellow Pages, newspapers, bulletin boards, coupon books

**Qualifications:** Familiarity with health codes/regulations

**Equipment Needed:** Tanning beds, heat lamps, sanitizing equipment

**Potential Home Business:** No

**Staff Required:** Possibly

**Handicapped opportunity:** Possibly

**Hidden Costs:** Insurance and equipment maintenance

### **Lowdown:**

The sun's direct rays are becoming more dangerous than ever due to a reduction in ozone protection, and that's why more people in search of the perennial tan flock to tanning beds. Of course, it's also pretty convenient to slip into a tanning bed at a time that's comfortable. You'll need to advertise heavily due to competition, and you'll have to lay out large amounts of cash for equipment. However, since this field is a constantly growing one, and since it has the potential for add-on services such as a hair salon, massage therapy service, or even a Laundromat, you can convince a banker of your financial worthiness if you've got a solid business plan that allows for such expansion. Once you've got the word out about your tanning booth, all you need to do is schedule appointments, accept payment, and turn the machines on for those who wish to sun their buns.

### **Start-up:**

Tanning booth equipment can start at \$50,000 or more; investigate the used equipment market first (and take a mechanical expert with you to be sure the equipment is functional). Advertising will run \$3,000-\$5,000, and a staff could cost you thousands more. Set your fees in the \$25 per half hour or \$40 per hour range; more, if that's what you're competitors are charging. Price-shop well for this business before setting your own fees; it's competitive and changeable.

### **Bottomline:**

While some folks see this business as a real opportunity for success, others frown upon it for health reasons. It hasn't been proven that tanning booths cause skin cancer, but it is questionable nonetheless. P.S. You will be inspected regularly by the Board of Health, so be prepared.

## **Business Opportunities - Ideas For New Businesses**

### **Ask Bob About Ideas For New Businesses**

? I definitely want to start a business, but I have no idea what type of business I should choose.

Wait. Hold onto your job before you have firmly decided on a particular business and established a solid plan for starting your business. You will be investing a large amount of money, time, and energy in this business—so don't rush the process. Be sure that you are not going to say "I wish I had started a bowling alley instead," six weeks after you open a pizza parlor!

? I want a nice income from my business, but not huge risks . . . any ideas?

Consider a service business. Generally service businesses require less investment than other kinds of businesses. Retail, wholesale, and manufacturing businesses require large investments in some combination of inventory, raw materials, finished goods, receivables, equipment, space leases, and/or leasehold improvements.

Service businesses are also less likely to get clobbered by powerful national firms. And profit margins can be sky-high, even with a relatively small level of sales.

With a service business you are less likely to become a billionaire, but you are also less likely to end up flipping hamburgers for someone else after your business fails!

? I have a new business idea that is so great that I don't want to tell anyone about it. Should I keep it a secret?

First, let me assure you that there are literally millions of ideas for new businesses floating around and you can't be paranoid about people stealing your particular idea. It is unlikely that any people hearing of your idea will become so excited about it that they will junk their current work pursuits to pursue it.

Also, you should be asking for feedback on your ideas, preferably from potential customers, before you invest your life savings in a new business. And, you will need to be able to tell investors, lenders, employers, and suppliers about your idea or they will not be able to provide support, services, and/or backing for your business.

While it is conceivable that your idea is so strong that you may create the next Microsoft or Wal-Mart, chances are overwhelming that a company based on your

idea is going to be a lot riskier than a company based on an existing business that you are trying to execute with a new twist.

### ? How can I quickly learn more about a business I am considering starting?

There is no substitute for working in the business. Even if you work for a very short period of time in an entry-level capacity you are going to get a much better grasp of how that business works than you would through research or reading.

For example, I decided to start a newspaper while I was in college. Instead of waiting several years to work my way through each position on a newspaper staff, I worked for five days as a proofreader. Proofreading a newspaper is not much different or more fun than proofing a term paper, but it placed me in the middle of a working newspaper office. It allowed me the time to observe the more interesting and important work that everyone else was doing. I was able to start up my newspaper with a working knowledge base, as well as the help of some very motivated, but equally inexperienced friends.

An alternative approach, if you are buying a business, is to have the seller work with you for a short period of time to show you how things are run. Be sure to write any such understanding into the purchase and sales agreement, including holding back part of the payment until you have learned how to run the business.

You can also contact the trade association connected with your industry and see if it offers any seminars or has information packets about getting started in that particular business.

### ? Should I keep my full-time job when I start a new business?

If you have a good job and are starting a relatively small and simple business, I would strongly suggest you keep your existing job while starting your business. In a fairly uncomplicated business, such as a lawn care service or local retail store, you can hire hourly workers to do the core work during business hours for less than you are earning in your full-time job. Then you can do the more critical work, such as quoting jobs or developing promotional schemes at night or on weekends. The cash flow of a new business invariably starts slowly and tends to be more erratic than most people anticipate. Holding onto a salaried job can really help you make it through the slow seasons typical of a new business.

My grandfather actually started his shoe factory, by no means a simple business, while retaining his full-time job as a sales manager for another shoe firm. He even got his boss to finance his new venture!

### ? Is starting a business a good time to relocate?

Relocating a business can be very expensive in both terms of cash outlay and disruption to the operation of the business. It can also be psychologically and

physically draining to relocate and start up a business at the same time. In addition, you won't have the time to develop new friendships, network, and create the community ties that are often so necessary to business success. I suggest that you relocate only if there are strong business reasons to do so.

In starting a business that serves the local market, you need to consider how you are going to successfully compete with existing firms. Remember that once you enter the marketplace, existing firms may very well react and copy all or part of your marketing strategy. So it may be wise to consider relocating to a less competitive marketplace.

If you are starting a firm that will serve a national market, you may want to relocate to a state that is hospitable to business in general. While taxes, utility rates, and bureaucratic red tape may not be a big factor as you start your business, they could become more significant as your business grows.

## **Business Opportunities - Ideas For New Businesses**

### **Streetwise Tips on Ideas For New Businesses**

#### **\* Competitive advantage**

Almost any business you start will have competition. When choosing a business, take into consideration what you will be able to offer customers that provides a significant advantage over your competition's offering. Stress this advantage in your sales and marketing strategy from day one—whether it's faster service, better selection, lower prices, better quality, or whatever else potential customers for your product or service may really care about.

#### **\* The competition**

How tough is the competition in the market you are considering? Maybe the same concept would fare better in a nearby market or in another related product or service niche. Remember, the only time you can "choose" your competitors is before you start a business.

#### **\* Market size**

You need to consider the size of your potential market, especially if you are considering a local, specialized business. Are there enough collectors in the vicinity to support a dollhouse collector's store? Is the local market large enough to support another full-service Mexican restaurant?

#### **\* Hobbies often stay hobbies**

A lot of people may advise you to consider hobbies when looking at options for a business theme. Do this cautiously. While there certainly are exceptions to this rule, many hobby-based businesses fail to realize the sales or profitability that their founder-hobbyist anticipated. One reason for this is that many hobbies have very narrow and extremely segmented audiences. Another is that there are often an abundance of talented people in any hobbyist industry, people who are content to sacrifice a higher potential income in another field just to be able to work at something they truly enjoy. In other words, your competition may be stiff.

#### **\* Economies of scale**

Unless you plan a major public offering on a public stock exchange, you will probably be starting a relatively small business. Avoid industries in which you would be competing directly with firms that have a significant market advantage in terms of their size alone.

#### **\* Related field**

If you don't go into business in a field you know extremely well, you are going to be in for a long uphill struggle. Not only will you be facing a problem all start-up businesses face—established competition—but your competition will know the business a lot better than you do. If you really want to go into business in a field that is not directly related to your past experiences, education, or expertise, you should at least consider buying a franchise.







## **Business Opportunities - Businesses For Sale**

**"Buying an existing business is, generally, a much safer and faster route to profitability than starting from scratch."**

### **Key Considerations in Buying a Business**

" The advantage of buying a successful business in comparison to starting a new one can be overwhelming. Perhaps the biggest plus is that a huge amount of risk and uncertainty is eliminated. "

### **Quick Valuation Guidelines**

" An extremely well-established and steady business with a rock-solid market position, whose continued earnings will not be dependent upon a strong management team. "

## **Featured Book**

### **Streetwise Small Business Start-Up**

When you start a small business you soon discover that things just don't happen in the real world the way they tell you in business textbooks: Invoices don't get paid by their due dates, ads don't consistently bring in customers, sales don't continually rise, and profits aren't always there. In this book, small business maverick Bob Adams shows you how things really get done, and acts as your mentor by providing instant access to streetwise advice on every small business topic.

Regular price: \$17.95

## **Web Resources**

### **American Success Institute**

Advise on what to lookout for when buying a business.

### **BizBuySell**

Works as a broker listing business for sale search their database.

### **BizQuest**

Provides access to a database of buyers and sellers of businesses and an extensive list of brokers who help people buy, sell, or value a business.

### **Business Brokers Network**

Large North American broker of Businesses for Sale.

### **Business Broker Web**

Includes a list of businesses for sale and access to information to help you find a business broker.

### **The Business Place**

Provides a listing of business for sale by category in Canada.

**The Business Resale Network**

Run by Entrepreneur magazine, this site provides a database of thousands of businesses for sale.

**KPMG**

Explains the importance of Due Diligence when buying a business.

**Nolo Press**

Provides guidelines and tax implications of buying a business.

**Small Business Administration**

Complete state by state listing of business for sale throughout United States.

## **Business Opportunities - Businesses For Sale**

### **Key Considerations in Buying a Business**

The advantage of buying a successful business in comparison to starting a new one can be overwhelming. Perhaps the biggest plus is that a huge amount of risk and uncertainty is eliminated. There are not only existing customers, but a track record of what is selling and what isn't. And, since the basic business infrastructure is already in place, you can focus on improving the existing business, rather than on reinventing the wheel.

#### **Customers**

The most important asset you may acquire in buying a business are the customers. Even with a great product or service, building clientele can take time. Be sure the customers are satisfied and that they will remain loyal to the business after the current owners have sold out.

#### **Employees**

Identify and assess the value of all key employees. Arrange to meet with them. Ask yourself: How critical are the current employees to the business? Do the salespeople have strong relationships with key customers? Would a particular engineer's or designer's talents be difficult to replace? How important is the role of the current owner? You might even consider offering incentives to certain employees to assure that they will remain with the business at least through the transition period.

#### **Facilities**

Leases are not an integral part of the balance sheet yet they can be a tremendous hidden liability. Find out if the current owner personally guaranteed the lease(s) and ascertain whether or not the landlords will insist you personally guarantee them as well.

There are important regulations to consider as well. Environmental legislation, in particular, places the burden of polluted property cleanup on current property owners and in some cases leaseholders. Find out if the property was ever owned or leased by a manufacturer involved in activities that created hazardous wastes that could have contaminated the soil. Find out whether or not any clean-up action has already been taken.

#### **Financial statements**

Don't take historical financial statements at face value, especially if they are not accompanied by a satisfactory audit letter from a CPA firm. Don't confuse a compilation (basically adding up the numbers provided by the client) or a review (a compilation with a few ratios figured out) with an audit. Only an audit requires that a CPA test financial information. If the seller offers you projections, don't even look at them!

### Receivables

Chances are, if the business has receivables, their value is overstated. Carefully examine an aging of the receivables and determine what amount is outstanding past normal industry practices (nominal stated terms are often ignored). Then assume that an appropriate amount of receivables that are still current will also become bad debts.

### Inventories

The market value of the inventory is almost certainly going to be a lot less than what was paid for it. While even larger businesses tend to have a fair amount of slower- moving items in inventory, many small businesses are even more hesitant to write down or sell off obsolete items.

### Competitors

Be sure that you are not walking into a competitive mine-field! Is a price war beginning? Are your competitors slashing their margins to the bone? Did the current seller hear advance reports of a powerful international corporation entering their market niche?

### Attorneys

Much more so than in buying a house, you need to consult with an attorney familiar with small businesses before signing an offer to buy. This is particularly important because of the many hidden liabilities you may be taking on, such as contracts, employment obligations, pending litigation, bills to vendors, leases, and more.

### Confidentiality

You need to have a firm agreement with the current owner as to with whom, at what stage of the negotiations, and under what conditions you can discuss your interest in buying the business. Telling key customers that you are considering buying a business that is not yet publicly for sale can pose a risk to the business and expose you to potential litigation from the current owner.

### Valuation

Start by carefully estimating the net positive cash flow for the next five years, after subtracting a good salary for your talents—one in line with your market value if you were employed in a similar management capacity elsewhere. Then determine the appropriate multiple of earnings to use to arrive at a fair valuation. The appropriate valuation should reflect the amount of risk inherent in the business and the importance of your efforts towards making the business succeed.

## **Business Opportunities - Businesses For Sale**

### **Quick Valuation Guidelines**

**1.** An extremely well-established and steady business with a rock- solid market position, whose continued earnings will not be dependent upon a strong management team.

**A multiple of eight to ten times current profits**

**2.** An established business with a good market position, with some competitive pressures and some swings in earnings, requiring continual management attention.

**A multiple of five to seven times current profits**

**3.** An established business with no significant competitive advantages, stiff competition, few hard assets, and heavily dependent upon management's skills for success.

**A multiple of two to four times current profits**

**4.** A small personal service business where the new owner will be the only, or one of the only, professional service providers.

**A multiple of one times current profits.**

## **Business Opportunities - Businesses For Sale**

### **Ask Bill**

#### **Ask Bill About Businesses For Sale**

**?** I was planning on buying a small mail-order business, but I don't like the idea of paying the three to five times earnings that the business will sell for. Wouldn't I be better off starting from scratch than giving away the first three to five years' profit?

Probably not. An up-and-running business showing any profits means that you have established customers, marketing avenues, and sales momentum. If you put the energy and talent that it takes to start a new business into improving an existing business, you should be able to dramatically increase earnings and recoup your purchase price very quickly.

**?** Can I assume that, like people selling a house, business sellers never expect to get the asking price, but something fairly close to it?

Most people selling a business have a very inflated idea of what it is worth and this view is often reflected in the asking price. Few small businesses sell for anywhere near the asking price, and selling prices at half or even less are quite common. This is especially true when hard assets such as real estate are not a major factor. Remember, a business is a much less liquid asset than a house. In other words, relatively few people are interested in buying a particular type, size, and location of business.

**?** How much can I rely on information provided by a business broker?

Basically—not at all! The broker makes money only if the sale goes through, and this is almost always in the form of a commission. So, the higher the price you pay, the more money the broker makes. And, more importantly, the broker's source of information is typically the seller!

**?** I am close to making an offer on a profitable small service business. The business is only fourteen months old but the

owner is selling because he is pursuing a terrific opportunity in an unrelated field. What do you think?

Don't do it. Other than hard assets, when you purchase a business you are buying goodwill and forward momentum from an established pattern of doing business. Even if the business really is profitable, the owner couldn't have created much goodwill or developed an established market position in such a short period of time. Furthermore, I'd always worry about the real reason the business is being sold so quickly—if the new opportunity looks terrific to the seller, then his current business, obviously, looks less terrific. In addition, with a service business, you need to ascertain how much of the business' success has been due to the personal characteristics or contacts of the proprietor.

? I am negotiating to buy a packaging company. Should I be concerned that after the deal is consummated the seller may start a competing business?

Absolutely! An aggressive person can regain market position overnight in a new business through personal contacts, industry reputation, and market knowledge. You should at least have the seller agree to sign a non-compete clause. If you are really concerned, you should also consider paying for the business in partial payments over a period of time.

After I negotiated to purchase a magazine from the Harvard Business School, a former licensee announced that it was going to compete with me despite a non-compete agreement. I persuaded Harvard Business School to pay the related legal fees and retain title during my first year of operation to ensure the validity of the non-compete agreement.

\* **Source** [Streetwise Small Business Start-Up](#)



## **Business Opportunities - Businesses For Sale**

### **Streetwise Tips**

### **Streetwise Tips on Businesses For Sale**

#### **\* Inspect all recent tax returns**

Insist upon seeing tax returns from recent years. All too often, you will be told “well, of course we underreported our sales . . . doesn’t everybody?” No, not everyone under-reports their income. Suspect any seller who gives you this line. Not only does he or she lie on the tax returns, despite the risk of severe penalties, but probably is less than truthful in other respects as well. Assume everything this person tells you, verbally or in writing, is a lie. Get independent verification. And, of course, this includes verifying that the sales were actually underreported!

#### **\* Hold on to key people**

Unless you completely understand a business “cold,” work strong financial incentives into your buy/sell agreement to keep key people in place during a significant transition period. This is particularly important for businesses for whom contact with major customers, such as through salaried salespeople, is a major means of selling products or services.

#### **\* Ignore pressure to close a deal**

Sellers and business brokers love to pressure potential buyers by mentioning that other people are seriously looking at the business. A number of these “potential buyers” are probably just window shoppers. When I sold a six-month-old map business, with total sales under \$15,000, I had almost fifty inquiries but only one serious offer. Even the smallest of businesses often take many months to sell.

#### **\* Dig into nonquantitative factors**

Profits are realized, in part, because some nonquantitative aspect of the business appeals to a broad customer base—the service, the product, or the sales team, to name a few. Make an effort to pinpoint both the positive and negative nonquantitative aspects of the business you are considering purchasing.

At some point in the negotiation process you should get permission from the buyers to talk with their key customers. These people often have interesting insights into the business. Compare “your” products or services with those of the competition. And be sure to look into the overall market projections for “your” product or service. Will there be a market for the product or service tomorrow, five years from now . . . always?

#### **\* Advantages to buying**

Despite the many caveats to consider before buying a business, remember that buying an existing business is, generally, a much safer and faster route to profitability than starting from scratch.

#### **\* Get a non-compete agreement**

Include a non-compete agreement as part of the buy/sell agreement to guarantee that you won’t soon be competing with the seller.



## **Business Opportunities - Franchises**

**"Franchise typically nets smaller profit margins than other types of businesses because of franchising fees and expenses"**

### **Pro's and Con's of Franchising**

" A strong argument for buying a franchise is the experience of the franchisor. Franchises such as Burger King, MacDonald's, Midas Mufflers, and others have been in business for many years and you can take advantage of their consumer recognition and proven business formulas. "

### **Franchising Success Story**

" Jim Donnelley has successfully operated a franchise business offering support services for several years. He offers advice on choosing the type of franchise to buy into, as well as weighing the benefits of franchise versus the cost. "

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Regular price: \$17.95

### **Web Resources**

#### **American Association of Franchisees & Dealers**

Information for franchisers and franchisees interested in buying or selling.

#### **BISON - The Franchise Network**

Provides a good listing of Franchise opportunities as well as advice for getting started with a franchise.

#### **The Business Place**

Provides a listing of business franchises available in Canada.

#### **A Consumer Guide to Buying a Franchise**

Learn what the Federal Trade Commission has to say about the topic of franchises before you make your decision.

**[Franchising Directory](#)**

Supplies a extensive list of companies that franchise alphabetically or by category.

**[Franchise Opportunity SuperStore](#)**

State by state listing of franchises available across the United States.

**[Franchise Solutions](#)**

Locate small business opportunities that match your interest.

**[World Franchise Consultants](#)**

Service to find a suitable franchise opportunity or business opportunity.

**[USA Today](#)**

Provides listings and articles on business and franchise opportunities.

**[4franchise](#)**

Listings and information on starting a new business through franchising.

## **Business Opportunities - Franchises**

### **Pro's and Cons of Franchising**

#### **Advantages**

##### **: Experience of the franchisor**

A strong argument for buying a franchise is the experience of the franchisor. Franchises such as Burger King, MacDonald's, Midas Mufflers, and others have been in business for many years and you can take advantage of their consumer recognition and proven business formulas.

##### **: Training**

Any franchisor who has been successful for many years will, in all likelihood, provide excellent training with ample resources at the home office to get you started in your own franchise.

##### **: Buying and advertising**

One of the fastest ways to drain cash is to spend heavily on advertising. As a franchisee, you can take advantage of the public awareness of the franchisor's name and its national advertising budget. The franchisor will have volume purchasing power for supplies that may (or may not) be passed on to the franchisee.

##### **: Research and development**

The R&D budget for a franchisor will often be substantial, providing the franchisee with new products and services as well as advice on how to introduce the new product or service.

##### **: Business synergy**

When you buy a franchise, you are, in effect, buying into a family of other franchisees. You are all working toward the same goal and have adopted a similar mission on behalf of the franchisor. Some of the best ideas for the franchisor come from the "family"—you become part of a network of franchisees who regularly talk to the home office as well as other franchisees.

#### **Disadvantages**

##### **: Added expenses**

All franchisees are required to pay an up-front fee to the franchisor in order to use the franchisor's name and open shop. These fees can run into six figures. The franchisor will usually require ongoing fees as well.

##### **: Uniformity**

Individuals who have problems taking direction will find franchising a difficult business route to take. Franchisors achieve success through the development of conformity among all the franchisees from management style right down to supplies. If adhering to rules bothers you, you should look into some other form of business structure.

### **: False expectations**

It is easy to fall into the trap of feeling that, just by buying into a popular franchise, you will be an instant success. Franchising is just like any other business. You must work hard and make sacrifices to achieve a measure of success.

### **: Cannibalization**

If you live in a metropolitan area, the chances are good that you will see several like franchises within a ten-mile radius. The franchisor will, one way or the other, realize profits through this situation. But for you, the individual franchisee, this situation can be a competitive nightmare that might ultimately force you to close your doors.

### **: International vs. domestic**

If the franchisor has headquarters in a foreign country, problems may arise if you require assistance or need to speak to a company representative in person.

Make sure the franchisor has an office in your country or, at least, sends a representative to your country on a regular basis.

## **Business Opportunities - Franchises**

### **Franchising Success Story**

Jim Donnelley has successfully operated a franchise business offering support services for several years. He offers advice on choosing the type of franchise to buy into, as well as weighing the benefits of franchise versus the cost.

#### **Choose Carefully**

“The franchise might bring volume purchasing into the act; it might bring better discounts on office equipment. It brings name recognition. But will all that generate enough extra sales to pay the licensing and royalty fees that are required? If it will, you should go with it; if it won't, you shouldn't. It's a business decision.”

#### **Choose for Yourself**

“As you look, you've got to say to yourself, 'Am I going to get up every day and be happy going to work at a particular franchise?' You don't want to pick it just because you think it might be good.”

#### **Don't Buy Into Guarantees for Success**

“The franchisor cannot guarantee success. There's no way to do that, and you should walk away from any franchisor who promises that. But even though they can't provide guarantees, they can make it a much safer journey.”

## **Business Opportunities - Franchises**

**Ask Bill**

### **Ask Bill About Franchises**

#### **? How does a franchisor make money?**

Usually a franchisor sells the right to a franchise for a hefty fee over the actual out-of-pocket costs of setting up the business. Then the franchisor receives ongoing payments—usually a percentage of the sales, not the profits. Most franchisors also sell supplies and services to franchises.

#### **? In selecting a franchise, should I be more concerned with the initial fee or the ongoing franchise fees?**

If you are buying into a successful franchise, you should be more concerned about the ongoing charges. These costs are paid yearly. And, since these fees are typically extracted from sales, not profits, they can cut your profits to shreds. For example, if your pre-tax profit margin is 10 percent, but your franchise fee is 5 percent, your profit is halved!

If you are buying a less established franchise, be leery of up-front costs. You could lose your investment altogether if the business fails.

In either case you should examine all costs and contracts, and talk to current franchise owners before signing.

#### **? Is it worth it to pay a percentage of sales, even for a really good franchise?**

This is the \$64 million dollar question you must ask yourself. Many people who buy franchises think it is a great deal when they are able to turn an early profit—but in later years, with experience under their belts, they come to view the franchise fees as onerous.

You need to evaluate what you are getting by buying into a franchise and how valuable what you are buying will be to you in several years. If you are just using the franchise as a means of learning industry skills, then you might be better off working for someone else for a period of time instead. If, on the other hand, you already have industry skills and business expertise and want to apply them through an established brand-name business in a competitive market, the franchise route may be right for you.

## **? Other than franchise fees, what other costs should I watch out for?**

Often you will have to pay a percentage of local, regional, or national advertising costs as a separate fee over and above the franchise fees. You may also be required to purchase supplies and services directly from the franchisor.

## **? What else should I watch out for in buying a franchise?**

If you are relatively inexperienced in running a business, buying a franchise may be a much better option for you than starting a business from scratch. But do be aware that even a franchise isn't a foolproof expressway to business success.

In addition to issues that may be peculiar to the particular industry you are buying into, there are general issues that should be considered. Can you sell the franchise easily, and how? Can the franchise fees be increased for any reason? Are new competitors affecting market share? What level of applicable industry or business skills did the typical franchise owner possess before he or she bought into the franchise?

Get out and talk to as many current franchise owners as you can before making any commitments—this just can't be overemphasized.



## **Business Opportunities - Franchises**

### **Streetwise Tips**

### **Streetwise Tips on Franchises**

#### **\* To franchise or not to franchise**

If you don't have a lot of solid business experience or don't have experience in the particular field you are planning on entering, you should definitely consider buying a franchise rather than an existing business or starting a business from scratch. True, even a successful franchise typically nets smaller profit margins than other types of businesses because of franchising fees and expenses, but the odds of surviving in business at all are much greater.

If you are entering a field with a very strong consumer name recognition factor, I would urge you even more stridently to consider doing so through a franchise. Whether you have experience in the field—fast foods, automotive, or whatever—without the name recognition advantage, you are going to have to work extremely hard to offset the huge benefits of your franchised competitors.

#### **\* Due diligence**

Perhaps even more so than buying an existing business, you need to do a lot of homework before you purchase a business. You absolutely must have a lawyer review all documents and consider issues that may not be presented contractually. Find out if the franchisor has a history of dissatisfaction among its franchisees. Have lawsuits been brought by franchisees against the franchisor? Why? Who won? Do exhaustive searches of the business and trade media for articles on the franchise(s).

Don't take the word of a salesperson for the franchisor when looking for accurate information on the franchise.

Get out and talk with as many current franchisee managers and/or owners as possible.

#### **\* Issues to consider**

There are many issues to consider before purchasing a franchise. These are just a few.

- **Exclusivity.** Can another franchise be sold in your area? If so, what is the proximity regulation—two miles? one mile? next door?
- **Hidden costs.** Has every conceivable or possible cost been disclosed? Will the agreement between yourself and the franchisor protect you from hidden costs? How much will you have to contribute to either local, re-gional, or national advertising budgets?
- **Cost calculators.** Is the fee schedule subject to revision or escalation under any circumstances?

- Revocation of franchise agreement. Under what conditions could the franchise be revoked? What processes are involved in a revocation? Are any investment costs paid by you reimbursable?
- Cash flow. Carefully plan the cash flow of the business, especially prior to break-even. The franchisor may place restrictions on your business that may restrict your ability to cut costs if you get into a cash-flow bind.

### **\* Competing franchisors**

There will most likely be several franchisors to choose from in your field. If you don't have a lot of experience in the industry, buy into one of the more recognizable or established franchises (despite the greater cost). But do comparison shop and research your particular market area before you decide. This is, after all, a major purchase!